

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L SECTION 01 OF 02 VILNIUS 000636

SIPDIS

STATE FOR EUR/NB

E.O. 12958: DECL: 06/16/2015

TAGS: [PGOV](#) [PREL](#) [LH](#)

SUBJECT: ECONOMY MINISTER RESIGNS OVER ETHICS VIOLATIONS;
GOVERNMENT COALITION INTACT

REF: VILNIUS 504 AND PREVIOUS

Classified By: Political-Economic Officer Nancy Cohen
for reasons 1.4 (b,d).

Summary

1. (C) Lithuania's Minister of Economy Viktor Uspaskich tendered his resignation June 16, following the announcement of a Government Ethics Commission finding that he had violated the laws regarding conflicts of interest. Uspaskich will reportedly relinquish his position in Government and his seat in Parliament, but appears intent on maintaining his leadership of the Labor Party. For now, it appears that Labor will remain in the ruling coalition, and speculation focuses instead on whom among its ranks will assume Uspaskich's place as Minister. End Summary.

Commission Confirms Violations, Investigations
Continue

2. (U) The Public Service Ethics Commission, by a 4-1 vote, determined on June 16 that Uspaskich had violated national laws regulating conflicts of interest on the part of public officials. The Commission found that Uspaskich had conducted private business during meetings with Moscow municipal officials while on an official trip in March. A second finding on another less publicized charge states that Uspaskich's efforts as Economy Minister to transfer management of Lithuania's regional information centers to the Lithuanian Business Employer's Confederation (of which he is a former president) created a conflict of interest. Uspaskich is also under investigation by three parliamentary commissions for alleged unethical or otherwise illegal acts while in public office (reftel).

Uspaskich Resigns

3. (U) After the Ethics Commission ruling, Uspaskich reportedly called Prime Minister Brazauskas -- in Brussels for the EU summit -- to tender his resignation. Brazauskas told reporters he would accept the resignation immediately upon returning to Vilnius. Despite resigning, Uspaskich has indicated he disagrees with the Commission's finding and will appeal the decision in court.

Business as Usual

4. (U) One day after Uspaskich's resignation, the corridors of the Seimas are quiet and its business normal, according to a senior Liberal Party advisor. Labor Party press attache Orijana Jakimauskiene told us June 17 that Uspaskich plans to remain head of the Party and that it will remain in the Government (despite earlier threats by Party Deputy Viktoras Muntianas that Labor would pull out of the ruling coalition if Uspaskich resigned). Media speculation is focusing on the early list of possibles to replace Uspaskich as Minister of Economy, with MP Jonas Lionginas, a former long-time Finance Ministry official and current chair of the Budget and Finance Committee, a strong contender. (Jakimauskiene denied that Lionginas is the frontrunner.)

Comment

5. (C) Political parties in Lithuania tend to emphasize personalities rather than ideologies or programs. The Labor Party is no different. Only eight months ago, it won more votes than any other party in the parliamentary elections, and opinion polls earlier this month showed that it remains the most popular party in Lithuania. But it now faces the challenge of demonstrating that it can play a leading role in political life without its charismatic leader in office. Uspaskich's resignation at this point was the best option for

him to retain political influence. His ethical lapses (which appeared only to deepen this week with allegations that his college degree is fake) would have made it impossible to survive as Minister against the onslaught of criticism in the press and parliament. His tight grip on the Labor Party -- based on his autocratic control and substantial financial investment in its operations -- should allow him to continue his considerable influence on the government.

16. (C) Many observers believe the scandals surrounding Uspaskich were born of internal coalition jockeying for control of the billions of dollars of EU funds headed for Lithuania. Uspaskich had openly trumpeted his intention to use EU funds to reward his followers throughout the country. His departure from government will calm the waters for a short time, but there is no doubt he will continue to wield his considerable influence as Labor Party chief in internal government deliberations to benefit his party. Consequently, internal squabbling is likely to continue within the coalition. But it will unlikely be fatal in the near term -- there continues to be no realistic alternative to the current unwieldy arrangement.
Mull